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MANAGEMENT STAFF
SURVEY Report
of
FINANCE DIVISION
Special Support Staff
MARCH 1950

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1 May 1950

MEMORANDUM FOR: Director of Central Intelligence

THRU: Acting Executive, CIA

SUBJECT: Finance Division T/O

1. In accordance with your instructions the T/O of the Finance Division, Special Support Staff, is re-submitted for the purpose of establishing position grades. In submitting this report a few comments regarding current Agency procedures for establishing both position requirements and position grades may be in order. These procedures embrace the steps set forth below:

a. A survey is made by the Management Office for the purpose of determining work load, procedural efficiency, functional requirements and the numbers and types of required positions. At this point a preliminary survey is made by one of the Classification Branches to determine the tentative grade requirements of each position in terms of the functional duties as envisaged by the operating office and the Management Office.

b. The findings and recommendations of the Management Office, and the tentative findings of the Classification Branch, are then presented to the Executive for final determination as to the number and type of positions to be authorized. Based on this, a tentative T/O is issued, in each case including a statement that grades are subject to final review and approval by the Personnel Director, in order that personnel procurement or other required action may be initiated.

c. (1) Thereafter a detailed position study is undertaken by the appropriate Classification Branch in terms of the approved functions and requirements of each position. This study, or audit, embraces a review of the work performed in each position to determine position grade requirements; or, if new positions are authorized, detailed discussions are held with appropriate officials in the unit concerned to analyze and evaluate the duties and responsibilities proposed. Upon completion of this phase, controlling factors of individual jobs are analyzed and measured against Civil Service specifications or standards. Appropriate comparisons are then made with similar positions in other agencies by reviewing job descriptions in the Civil Service Commission central classification files. Lastly, comparison is made with previously allocated positions in other segments of CIA for the purpose of ensuring proper internal position alignment.

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(2) Upon completion of this study, recommendations are made to the Personnel Director for final review and official establishment of grade levels. In this respect, the Personnel Director's office acts as the Civil Service Commission for CIA as directed in the functions established by the Director for that office.

2. The Finance Division T/O, as recommended in the Management survey, and the attached Classification study (covering new positions and those positions involving grade changes only) were accomplished in accordance with the procedures outlined above. While no change in grade is recommended at this time for the Chief of the Monetary Branch, pending a more exhaustive study of the position by the Classification Branch, preliminary information developed indicates that by comparison with a similar position in the Department of the Army allocated at the GS-14 level and Civil Service standards for comparable responsibilities, consideration of the subject position at the GS-14 level is warranted.

3. In considering the up-grading of the positions involved, no weight was given to the increase in the number of employees supervised. The predominant factor is recognition for the first time of increased variety and complexity of financial duties arising with the establishment and activation of OPC, and the greatly increased responsibilities arising from revisions in the Confidential Funds Regulations. Not the least of these new complexities are the undertaking of subsidy and proprietary activities of great sensitivity and financial magnitude.

4. In addition, the majority of the positions involved have been subjected to a close classification scrutiny for the first time, owing to OSO policies previous to General Order 24 prohibiting desk audit of OSO positions for security reasons. For this reason some of the grade increases reflect functions and responsibilities which would have been recognized previously under proper classification study.

5. In recommending grades for the Finance Division, consideration has also been given to various essential factors which are not inherent in other government positions of seeming comparability. These factors include the following:

a. Employees of the Finance Division are subject to rotation to the field, and rotation between a number of dissimilar positions in Washington and the field as emergencies or needs arise. This requires that most employees not only be qualified for their immediate position, but be capable of assuming on short notice the duties and responsibilities of other basically different positions.

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b. The very nature and type of financial administration required for Confidential Funds requires unusual integrity, judgment and initiative on the part of employees of all levels. In the necessary absence of precise regulations governing operational expenses, and the necessary lack of precise and formalized accounting procedures, forms and standards, the highest type of personnel are essential to ensure effective and efficient financial processing and administration.

c. The required qualifications for financial administration and processing can be acquired neither solely in Government nor in the commercial field, but are a mixture of the two with the major addition of lengthy on-the-job experience and practical impregnation with the philosophies and policies governing the use of Confidential Funds. This fact, together with highly selective recruitment practices, required proper but upper-range classification of positions to minimize turnover of employees between CIA and other government or commercial positions in the interests of maintaining optimum standards of financial administration and security. This latter point may well be stressed since the financial processes and records of the Finance Division constitute a critical security focal point.

6. (a) In conclusion, it is the opinion of the undersigned that the recommended grades are not only warranted by the duties and responsibilities of the individual positions, but are desirable to ensure the employment and retention of incumbents who will maintain and improve agency standards in the handling of Confidential Funds.

(b) I therefore recommend that the grades recommended in the Management survey report for the reorganized and expanded Finance Division be approved, based on the attached review and the facts developed above.

7. I would like to express satisfaction that the Management Staff, as a result of its thorough study, has confirmed the extreme need for additional personnel in the Finance Division. To my personal knowledge this group of employees constitutes one of the hardest working segments of the organization, and it is my opinion that many of the key employees have fulfilled their duties during the past eighteen months only by great curtailment of their family and personal life, and at the risk of physical breakdown.

S/S

Approved by the Director
after personal discussion
with Mr. Kelly on 2 May 1950

WILLIAM J. KELLY
Personnel Director

S/S: LTS
2 May 1950

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5. Regarding the new positions recommended by the Management Staff, it is our opinion that each is required under present conditions and at present work levels to afford reasonable attention to the processing of business and provide reasonable protection to government funds. The recommended organizational structure is also concurred in and we believe it will lead to a better distribution of supervisory responsibilities and an improved work flow.

6. In consideration of the above, we recommend approval in its entirety the attached report of the Management Staff.

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Attachment

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30 March 1950

MEMORANDUM

TO: The Management Officer
THRU: Chief, Special Support Staff
FROM: Finance Division
SUBJ: Management Survey Report of Finance Division

1. The Finance Division, Special Support Staff, requested a survey by the Management Staff due to its physical inability to fulfill its responsibilities and duties under a greatly increased work load without serious curtailment of its services and impairment of the standards of fiscal control desired by the Agency. For many months a back log of work has been accumulating and day-by-day fiscal requirements of the Covert Offices have been met only at the expense of the physical welfare of employees and lowered work standards. This in turn has resulted in increasing errors, technical deficiencies and inadequate documentation.
2. Notwithstanding these undesirable trends, many procedural improvements have been effected during the past year, and we believe that we have maintained proper protection of funds from both physical loss and misuse. We feel the examinations by the Audit Division, Inspection and Security, support this conclusion.
3. In our opinion the attached report of Management Survey of the Finance Division is a factual portrayal of existent problems and a sound proposal for corrective action. This report is the result of a detailed study of the assigned functions, responsibilities, volume and complexities of business and present facilities of the Finance Division. The study included independent verification of the financial requirements of other similar units, including other agencies. //
4. With respect to recommended improvements in procedures, we believe that all can be instituted immediately upon assignment of personnel to the recommended positions. We are in accord with the Management Staff that the functions of the [redacted], including logging, routing, referencing, indexing and filing should be the subject of a special survey; however, under the circumstances it appears desirable to delay this survey until other more pressing needs are attended to.

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Director of Central Intelligence

FROM : Executive

SUBJECT: Increase in Administrative Positions

DATE: 6 April 1950

25X9A2 1. Attached is a Management Survey Report covering the Finance Division, Special Support Staff (formerly Confidential Funds Division). This report recommends an increase of [redacted] positions for the Finance Division, and the placing of all positions on a vouchered funds basis.

25X9A2 2. Currently the Finance Division is authorized [redacted] vouchered and 25X9A2 [redacted] unvouchered positions - a total of [redacted]

3. There are two basic reasons supporting the recommended increase:

- a. Greatly improved policy guidance and control provisions to safeguard the utilization of confidential funds.
- b. OPC support requirements which have grown considerably beyond any previous conception upon which personnel authorizations were based.

4. In connection with this, we are encountering the following problems resulting from inadequate staffing of the Finance Division:

- a. Inability to audit the accounts of Class A foreign stations (we are fortunate in having trained finance personnel at these stations).
- b. Backlogs in accounting for reported expenditures.
- c. Delays in processing payment of certain allowances to field personnel.
- d. Inadequate provision of essential information for the Budget Officer and the Director.
- e. Continual lowering of efficiency due to excessive overtime work by assigned personnel.

5. Every effort has been made to carry the increasing workload within current authorization before requesting additional strength.

25X1A 6. I propose to authorize this increase, but wish to bring the problem to your attention in view of your expressed desire, in which I concur, to hold administrative increases to a minimum. As an offsetting factor we have recently reduced the OSO and OPC personnel authorizations by approximately [redacted] through Management Staff action.

Not at recommended ratings. Must resubmit soon

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STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Chief, Special Support Staff

FROM : Management Officer

SUBJECT: Management Survey of the Finance Division, Special Support Staff.

DATE: 28 March 1950

Attached is the Management Staff survey report of the Finance Division, Special Support Staff. Your concurrence or comments regarding this report will be appreciated.

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Management Survey Report of
Finance Division,
Special Support Staff

1. Scope of Survey

At the request of the Chief, Special Support Staff, the Management Staff was requested to make a survey of the Finance Division to analyze, evaluate and make recommendations on organization, procedures, workload, forms, practices and personnel requirements. Work measurements and procedures studies were conducted with working personnel and later reviewed by the Chief and Assistant Chief as to the correctness of the findings.

2. Findings

a. The Finance Division was first established in the Office of Special Operations as the Special Funds Branch, later transferred to Budget and Fiscal Office as the Confidential Funds Branch in January 1949. More recently it was transferred to the Special Support Staff as the Finance Division. Many of the present difficulties and deficiencies can be attributed to the changes in concept of operations that occurred during the foregoing reorganizations.

b. While operating as the Special Funds Branch, Office of Special Operations, the processing of financial transactions was accomplished with a minimum review which determined that a transaction had been directed, was properly approved, and the expense appeared to be reasonable. Later the Division was transferred to the jurisdiction of the Budget and Finance Office with the function of administering all Agency confidential funds under an entirely new concept and under much more detailed regulations without any increase in personnel.

c. Operating under the new concept of operations and more stringent regulations it soon became apparent that new organizational units and procedures were required to perform detailed audits and render service required in accordance with Agency policies and regulations, standardized government travel regulations, Comptroller General's Decisions, etc. This did not materially reduce the workload of other sections or personnel who previously performed such duties but merely reflected the increased time required to process accounts in accordance with the more detailed regulations.

d. The greatly increased workload created primarily by the expansion of OPC and a change in the type of financial servicing required by OSO has reached the point where the Finance Division is doing everything possible within their present personnel strength to provide service to covert offices at the expense of lowering their standards of performance in carrying out their functions of audit and accounting.

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e. The use of commercial cover for covert agents and projects is steadily increasing. This type of operation contributes greatly to the work of the Finance Division. For example, accounts of staff employees can be processed in volume by employees at an appropriate grade level whereas the processing of covert agent and project accounts particularly those under commercial cover require special handling by a certifying officer or a trained assistant in the higher administrative grades.

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f. We find, that trainees, unless they are in the Finance Division six months or more provide little or no productive work. Actually it has added to the workload of supervisors. A trainee cannot work on covert projects because of the complexities of such projects. Even when a trainee is assigned to the [redacted] for one month's training it is problematical if you will receive two weeks of productive work. Trainees cannot be used to compute foreign allowances for the short period they may be assigned to the Payroll Branch.

g. There has been considerable overtime work required to perform normal audit and accounting functions which the Finance Division is unable to accomplish during the regular workday. Special handling of OSO-OPC transaction such as preparation of travel vouchers, processing advances and travel orders on an urgent basis, together with the handling of covert OSO-OPC transaction on a need to know basis does not lend itself to a smooth and efficient operation.

h. The Finance Division has continued to review their operations toward improvements, many of the deficiencies existing are known and have been known to the supervisors for some time. Lack of personnel and sufficient time on the part of the supervisors of the Division are the primary reasons why corrective measures have not been implemented.

3. Major Deficiencies in the Operation

a. Class "A" field accounts are not audited and certified as required by regulations. Lack of sufficient personnel in the Finance Division and the fact that trained finance officers are disbursing funds at these Class "A" installations are the reasons advanced for noncompliance with regulations.

b. Accounting reports on expenditures rendered to operational offices are not adequate in that they do not reflect current total expenditures and obligations against allotments.

c. There is inadequate provision for handling audit exceptions, these are now being handled under the personal guidance of the Office of the Chief.

d. Travel and other advances of money are not being properly followed-up and settled as required by regulations.

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e. There are inadequate provisions for follow-up and maintaining leave records on field personnel on a current basis.

f. There is an urgent need for an indexing system on regulations, decisions, opinions, etc., which must be readily available to certifying officers and auditors if they are to properly perform their duties.

g. The practice of the Chief, Finance Division, signing as the Contracting Officer on covert projects or agent contracts is basically unsound since he is a party to a contract and at the same time he is responsible for the audit of expenses incurred under the terms of the contract. //

h. The Registry can be very helpful in the operations of the Finance Division since all correspondence, vouchers, etc., can be tied to either a project, station, or individual. However, the Registry is not serving as such in the Division. Branches are maintaining files which could best be utilized by auditors and certifying officers if the files are consolidated in one place. This has been discussed with the Assistant Chief who concurs and has requested upon approval of the new organization and T/O a further study be made of the filing system.

4. Contributing Factors to the Deficiencies

a. Due to the covert nature of the accounts, Certifying, Audit and Liaison Branch personnel are required to spend approximately one-half of their time on liaison activities. (See Exhibit E.)

b. The policy of auditing and certifying in Washington all allowances and travel expenses incurred overseas prior to payment being authorized overseas, results in considerable expense and time in preparing cables and correspondence to the field requesting information and/or authorizing payment.

c. The fact that the Chief and Assistant Chief of the Finance Division are appointed as agent cashiers and must execute all checks drawn against their accounts makes for unnecessary reviews and flow of papers. (See Exhibit D.)

d. Broad and general provisions in covert agent contracts cause much misunderstanding and discussions between the certifying officer and the Divisions before a determination can be made as to whether an item of expense is proper.

e. Delays in processing field accounting reports on a current basis are partially caused by delay on the part of operating divisions in returning the reports which are forwarded to them for review and approval.

f. All of the overt operating offices have one or more unvouchered projects, however, due to their unfamiliarity with Confidential Funds Regulations it becomes a practice of special individual handling by the certifying officer in assisting in the preparation of vouchers.

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g. Agency Decisions and Directives on certain functions to be performed with confidential funds have failed to recognize the additional workloads placed on the Finance Division, i.e.

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(1) The decision that all travel of OSO and OPC personnel and [REDACTED] and Inspection and Security [REDACTED] would be paid from confidential funds has increased the workload of the [REDACTED] to the extent that considerable overtime is required to process vouchers on a reasonable current basis.

(2) A recent decision that the practice of having one local packing firm pack and ship household effects of Agency personnel proceeding abroad be discontinued, will result in considerable additional vouchers to be processed in the Finance Division. The new plan necessary for security reasons would advance the employee sufficient funds to pay for the crating and shipping, who in turn will submit receipts as the funds are expended. Instead of receiving one billing a month from a local storage and packing firm it is conceivable that one to ten different receipts may be submitted by each traveler all of which must be audited and credited to the advance account.

5. Conclusions

In the opinion of this analyst the following are the basic problems existing in the Finance Division which must be corrected before the Finance Division will be able to function as a smooth and efficient operation.

a. The covert offices are insistant that accounts and projects be processed on an "individual need to know basis" with documentation and information being available to the Finance Division only to the limit that they (the operations officers) deem it permissible within the security aspects of the project or account. On the other hand, the control and regulations governing the use of confidential funds are becoming more stringent and in greater detail. Consequently the employees of the Finance Division, all loyal and conscientious workers who are endeavoring to provide maximum service to operations at the expense of forsaking and/or delaying their equally important function of audit and accounting, are going to be just as insistant that more information and documentation be made available to them prior to processing and certifying expenditures.

The above situation will result in operations protesting they are not getting service and support and that the security of their operations is being jeopardized by this demand for information and documentation. As opposed to the foregoing, the Finance Division and the Agency itself without a good business system of control and accounting of funds are vulnerable to criticism and exceptions since the avenue is widened for incorrect and over-payments, possible collusion and fraud.

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i. The system of maintaining accounts including payroll accounts should be converted to a machine operation at the earliest possible date. The increasing requirements for reports on expenditures and allotments under present conditions can only be accomplished at the expense of creating backlogs in the processing of field accounts and domestic expense vouchers. This project is now under study by the Machine Records Division, OCD, and the Special Support Staff.

j. A statement of functions on the branch and section level be prepared by the Chief, Special Support Staff, and submitted to the Management Staff for review.

k. The proposed new organization will eliminate many informal routing forms and memoranda. As discussed during the course of the survey, the Finance Division will review all forms for possible consolidation and/or elimination.

l. The organizational structure (Exhibit B) be approved.

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m. The number of positions (Exhibit A) providing an over-all increase of [redacted] be approved subject to classification review by the Employees Division and final approval by the Personnel Director.

Attachments: Exhibit A - Proposed and Present T/O
Exhibit B - Organizational Chart
Exhibit C - Flow Chart - Processing Travel Vouchers
Exhibit D - Flow Chart - Processing Vouchers
Exhibit E - Workload and Other Data

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b. The Finance Division is understaffed to provide the service and to perform the basic functions which they are presently responsible for.

c. The Chief and Assistant Chief are required to devote more and more of their time in assisting the covert offices in the planning of operations with little time available for the internal planning and supervision of their own office.

6. Recommendations

a. That the provision for a Disbursing Officer to be designated as an agent cashier be approved. This will relieve the Chief and Assistant Chief, Finance Division, of the tasks of reviewing routine vouchers which have been audited and certified by high level certifying officers. Creation of this position will provide for a more efficient processing of vouchers (see Exhibit D) and will allow more time to the Chief and Assistant Chief for supervision and planning.

b. The Budget Officer review the current arrangements with U. S. Disbursing Officer with respect to the procedures on how the Agency requisitions and accounts for confidential funds and determine what changes should be made, if any. The requirement that agent cashiers render an accounting three times monthly appears to be excessive.

c. Consideration be given to the practicability of assigning certifying officers to foreign stations of a Class "A" status.

d. The Budget Officer define explicitly the type and content of monthly reports required on expenditures of confidential funds. A survey has been initiated by the Budget Officer since the first draft of this report was prepared.

e. The designation of the Chief, Finance Division, as the Contracting Officer on agent contracts be rescinded. We recommend that this authority be vested in the Chief, Special Support Staff.

f. That a control system be established for the follow-up and settlement of advances and audit exceptions.

g. Current instructions issued to the field should be revised to the extent that they are current and consistent with Agency and other applicable government regulations.

h. A responsible officer should be designated to plan, schedule and conduct the on the job training programs for new employees proceeding to foreign stations as finance officers or clerks.

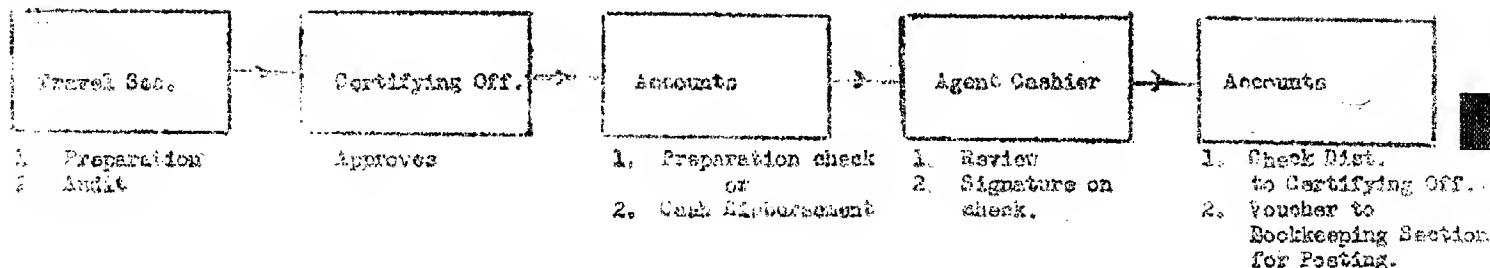
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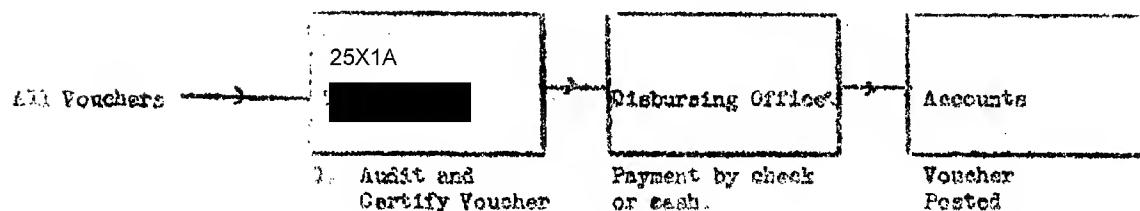
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PRESENT

FLOW CHART TRAVEL VOUCHERS



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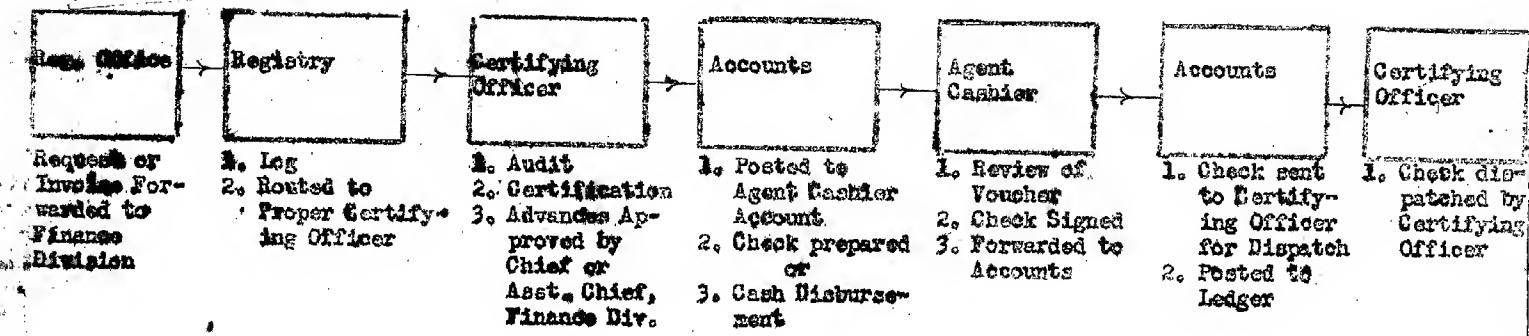


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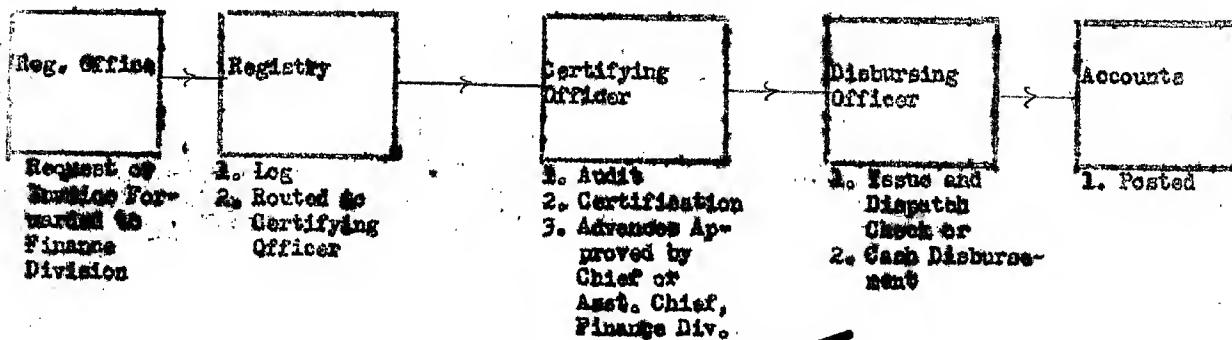
PRESENT

FLOW - VOUCHERS

(Advances, Invoices, etc.)



PROPOSED



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Workload and Other Data

INTERIM SURVEY REPORT
CERTIFICATION, LIAISON AND AUDIT BRANCH
FINANCE DIVISION

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Survey reports on the [REDACTED] are submitted separately, therefore, this report is on the Office of the Chief, Liaison and Audit Branch

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and the [REDACTED]

1. Findings

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a. The T/O provides [REDACTED] positions, all are encumbered, however, only [REDACTED] personnel are on duty. The Chief of the Branch is absent on temporary duty overseas.

b. The following are the major functions of the Certification, Liaison and Audit Branch:

(1) Audit and certification of expenditures involving unvouchered funds including payments made in foreign stations.

(2) Audit of Agent Cashiers bank accounts.

(3) Audit of commercial contracts.

(4) Liaison with appropriate operations officers of OSO, OPC and other offices where covert activities prevail.

c. Due to the present volume of work, Class "A" foreign accounts are not audited and certified as required by regulations.

d. The following factors contribute greatly to the workload of the

25X1A [REDACTED] and as such cannot be measured in exact number of hours required to perform them:

(1) Audit of commercial supply contracts.

(2) Consulting with operations officers on the planning of projects as pertain to finance matters.

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(3) Briefing of agent personnel on procedures and regulations.

(4) Handling of local payments on agent personnel when requested by the operations office (i.e. bank deposits).

(5) One certifying officer responsible for the collection of premiums and payment of claim under the insurance program established for security reasons.

(6) One certifying officer responsible for unvouchered accounts authorized for overt offices~~s~~ spends a great deal of time directing these offices~~s~~ in the use of unvouchered funds since the Confidential Funds Regulations are not available to them.

e. Workload measurements:

(1) The following are the types and number of accounts handled by three certifying officers and three auditorsⁱⁿ support of OSO-OPC activities:

ACCOUNT	NUMBER
Class "A"	25X1A
Class B and other installations	
Staff agent accounts	pprox.
Career agent accounts	pprox.
Projects (overseas)	

(2) Disregarding Class "A" accounts which are not being audited, we find the following is descriptive of the number of man-hours available in a working month as against the volume of work and time required to handle same.

(3) Average monthly accountings received 150 ~~x~~ 4 hours, average time to audit and process one accounting = 600 hours. This means that three

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certifying officers and three auditors are required to apply a total of 600 hours against their combined total working time of 960 hours on the audit and processing of accountings.

(4) 360 hours or a total of 60 hours per individual are available for performing the variable duties as outlined in d. above.

(5) Comments on the 60 hours available for liaison activities and duties which necessarily must be conducted outside of his office.

(a) Audit of contractors books on supply contracts usually require a minimum of two days or 16 hours.

(b) Briefing of agents may require 8 hours per month.

(c) Arranging for and making deposits to covert accounts will average 8 hours per month.

(6) Thus we find that when we consider annual and sick leave plus attendance at meetings, subsidy and proprietary projects and other variables that may arise it appears that there is unsufficient man-hours available to perform his duties.

(7) One certifying officer with half time help of an auditor and a clerk is responsible for the audit and certification of all accounts which are considered departmental in nature including:

Purchase and contracts, supply

Communications, OSO

Operational Aids, OSO

Unyouchered Funds Accounts for Director's Office, OO, ORE, OSI, OCD, Advisory Council and Inspection and Security.

The number of vouchers as claims against these accounts are not constant, therefore, we are only able to determine that the workload requires

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one full time certifying officer and one auditor with the part time assistance of a typist.

(8) One clerk full time is required to administer the Employees Insurance Program under the direction of a certifying officer.

(9) One clerk-stenographer or a total of four clerk-stenographers for certifying and three auditors, are available for clerical and typing duties.

2. Tentative Recommendations

a. Certification and Liaison Officers be relieved of the responsibility for the audit and certification of payroll, allowances and travel. This would be accomplished by designating the Chief, Payroll, Allowances and Travel Branch, as certifying officer for such accounts.

b. The Certification and Liaison Officers discontinue the practice of maintaining informal logs and memoranda accounts on projects for which they are responsible. All the information pertaining to a project or individuals (agent contract accounts excepted) is or should be available in the central Registry or Accounts Branch.

c. Add three auditors necessary due to expansion of OPC activities and change in type of service required by OSO.

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Workload and Other Data

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INANCE DIVISION

1. Findings

a. The table of organization provides for [REDACTED], all are encumbered and personnel are on duty. Trainees have been available from time to time for limited productive work. 25X9A2

b. The basic functions are to audit all travel vouchers and carriers invoices for transportation, where the use of confidential funds are authorized, including travel overseas outside of the employees assigned station area.

c. Major factors contributing to the workload in this Section are:

- (1) Audit of travel performed overseas, and subsequent approvals required of Division Chiefs, coordination with [REDACTED] 25X1A
- 25X1A of the Special Support Staff.
- (2) Ninety per cent of OPC travel requests are hand-carried and require special handling. Individual employees of OPC-OSO, and other offices, returning from a travel status are directed to the [REDACTED] 25X1A
- 25X1A where the employee sits with the traveler computing the time and preparing the voucher in a rough draft for typing. This kind of service is being furnished to operating activities at the expense of delaying the accomplishment of their primary function which is to audit and issue travel orders.
- (3) One employee's full time required for audit of OO/Contact and I&S field personnel who are in a continual travel status.

d. Workload measurements:

- (1) An average of 400 travel vouchers per month times two hours average time required for computing and preparation = 800 hours.

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(2) 165 travel orders average per month plus an average of two amendments to each order times an average of ten minutes per order or amendment = 85 hours.

(3) Posting to travel records accounts = 75 hours per month.

(4) Audit of carriers invoices on transportation requires approximately 65 hours per month.

(5) Supervision by Chief, liaison activities and dictating cables and pouch letters on overseas travel = 160 hours.

(6) Clerk-typist, filing, typing all correspondence and other clerical or messenger duties = 160 hours.

Total man-working hours required per month = 1345 hours.

Total man-hours available per month

6 employees time 160 hours = 960 hours plus

80 hours of productive work of trainees = 1040

Overtime required to provide service and perform the basic functions of the Travel Section = 385 hours. *per month*

It is evident from the above production figures that the Section is understaffed and has only been able to keep up with the work by overtime.

2. Recommendations

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a. [REDACTED] be established under a Payroll, Allowances and Travel Branch as proposed under the new organization.

b. Table of organization be increased from six positions to eight, allowing for one additional auditor and one clerk.

c. Eliminate files on individuals. Once the voucher or data has been posted to the individual's travel account the voucher or correspondence can be forwarded to the central Registry in Finance Division where the information will be ~~uploaded~~ for Release 2004/09/01 : CIA-RDP61-00274A000100030002-2

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d. Travel vouchers be certified by the Chief, Payroll, Allowances and Travel Branch. This will eliminate double handling as at present where travel vouchers are forwarded for review and certification by four different certifying officers depending on which one is responsible for the project or account chargeable.

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f. One accounting clerk is responsible for maintaining a ledger of the Chief Agent Cashier Fund, preparation of vouchers, making disbursement from the cash fund, maintaining the account, and assisting in the examination.

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2. Tentative Recommendations

a. The cash payment function and account be transferred to the Disbursing Officer as proposed in the new organization of the Finance Division.

b. That no change be made in the table of organization. A minimum of 25X9A2 [redacted] are necessary to administer the basic functions as outlined in paragraph 1.b. above.

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Workload and Other Data
~~INTERNAL SURVEY REPORT~~
ACCOUNTS BRANCH, FINANCE DIVISION

1. Findings

25X9A2

a. The table of organization provides for [redacted] positions. All are encumbered and personnel are on duty. Three trainees have been available to the Accounts Branch for over a year. They have been retained in this section due to the inability to accomplish their work within the present T/O.

b. The major function of the Accounts Branch is to develop and maintain an accounting system of unvouchered funds expended by the Agency in the United States and abroad including:

(1) Monthly accounting reports of expenditures for the Budget Officer and reports of property acquired in foreign stations.

(2) Receive advice of allotments from AD/OSO, AD/OPC, and Budget Officer and establish control accounts.

(3) Maintain a cash journal account for each of the three Agent Cashiers funds.

c. Aside from the routine business of maintaining the accounts, the principle factors contributing to the workload are:

(1) Pre-audit of accountings, a function which properly should be preformed in the [redacted]

(2) Preparation of monthly reports on status of unvouchered funds. Present reports require the assistance of three GS-9 accountants for approximately ten days to assist the bookkeepers in closing the accounts and preparing the reports.

(3) Searching of old OSS-SSO files in connection with claims against these agencies

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(4) Delay in receiving field accountings forwarded to Division Chiefs for approval make for uncontrolled backlags in posting operations.

2. Tentative Recommendations

a. The reports on expenditures to Agency officials and operations should be reviewed and revised toward the end of simplifying and giving a current and meaningful accounting of expenditures. This should be constantly pursued and the Assistant of the CIA Budget Office should be available to define the type of information required.

b. The bookkeeping function should be converted to a machine operation.

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This will provide for a more efficient operation especially in the reporting end and will allow more time for the accountants and bookkeepers to perform other primary functions.

25X9A2 c. The F/O be increased from [redacted] since actually, it has required

25X9A2 [redacted] positions for the past year to process the work in this Branch.

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25X1A

Workload and Other Data

[REDACTED] FINANCE DIVISION

1. Findings

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a. The present table of organization authorizes [REDACTED] positions. All positions are encumbered.

b. The basic function is to establish and maintain a system for the computation, payment and record of salaries and allowances of all personnel paid from unvouchered funds including:

- (1) Quarters, living and post differential allowances.
- (2) Permanent retirement records.
- (3) Tax deductions.
- (4) Leave records.

c. The greatest single workload factor in this Section is the computation of allowances to personnel in foreign stations. Three contributing factors which have required 300 hours of overtime to perform this function are:

- (1) Reclassification Act.
- (2) Changes in post allowances by the State Department (devaluation of the pound sterling).
- (3) Year-end computation of Withholding Taxes and posting to each employee's retirement record.

d. Salaries and allowances are paid on a 28 calendar day pay period.

This means 20 days are available in each pay period for the computation,

25X9A2 recording and payment of the payroll. We find that the [REDACTED] employees are performing the following duties:

[REDACTED] employees are computing payrolls, allowances, posting to pay data card on each individual employee paid from unvouchered funds.

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One employee is assigned to maintain time and attendance records on all employees including those assigned to overseas stations.

One employee is available for typing, maintaining stamp registry, posting to individual's retirement records and other clerical duties in the Office of the Chief.

The other employee is the Chief, responsible for overall supervision, liaison with certifying officers and other offices of the Agency.

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e. There are at present approximately [redacted] pay accounts with the expectation that they will be increased to [redacted] by 1 July 1950.

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According to the Bureau of the Budget standards one employee is required for each [redacted] pay accounts which does not include the computation of quarters and living allowances which this Section is required to perform.

2. Tentative Recommendations

25X1A a. [redacted] be established as a new branch entitled Payroll, Allowances and Travel.

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b. A T/O of [redacted] positions be provided on the basis of one employee for each [redacted] pay accounts.

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c. A separate section to be established as Allowances, with a T/O of [redacted] positions.

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d. The payroll, allowances and leave records to be converted to a machine operation as quickly as possible.

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Chief, Special Support Staff

26 April 1950

Management Officer

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Report of Study Covering Obligations and Related Accounting Procedures
Applicable to Unvouchered Funds

1. Attached is a memorandum from the Budget Officer dated 19 April 1950, subject as above.

2. It will be appreciated if a representative of your staff is made available to discuss the attached paper at a meeting to be held approximately 9 May 1950. Your office will be informed at a later time as to the exact date and place the meeting will be held.

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Subject File ✓

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Action Pending
Budget Office June 19, 1950
+ Gamma Line
for 1st draft of system

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Management Officer **DATE:** 19 A
FROM : Acting Budget Officer
SUBJECT: Report of Study Covering Obligation and Related Accounting
Procedures Applicable to Unvouchered Funds

1. In connection with the attached report it is desired to generalize briefly on certain of the aspects of the problem involved as discussed in various portions of the report. It should be pointed out at the beginning that the report is intended to offer only the possibility of a general solution to the problem and that it will take a considerable period of time to adequately implement any method which may be adopted. This is particularly true due to the fact that an adequacy of competent administrative and clerical personnel may not be available.

2. A distinction has been made in the report between "financial management" and "accounting and financial services". The latter term is used for the purpose of indicating the type of financial activity and support in which the Finance Division, SSS, should normally engage in assisting the covert offices and other activities of the Agency which have occasion to use unvouchered funds. The problem of financial management concerns itself more with the Budget and Liaison offices of OSO and OPC, the Projects Review Committee, and agency staff units. From the standpoint of rendering accounting support for the purpose of this study, and particularly from an "obligation" viewpoint, the activities and systems of the Finance Division may be compared functionally with those of the Fiscal Division, Administrative Staff.

3. The basic proposal set forth in the attached report is that a reasonably adequate system of obligation control and reporting could be established by the extension and/or modification of present methods and procedures being used in the Finance Division and that further, the proposal envisages some deviation in the reporting procedures recently developed in OSO and OPC for the purpose of securing more current obligation and/or expenditure data (refer to paragraph 3, page 3, and paragraph 3, page 8). This office is in general accord with the conclusion set forth in the report and believes that the basic recommendations can be adopted, subject to certain requirements or deviations involving time elements and further development of detailed mechanics and procedures. The proposed system is not substantially different in principle than that which is being used on vouchered funds in connection with the establishment and liquidation of obligations applicable to overseas operations of [redacted].

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4. In arriving at a final conclusion in regard to this matter, there must be taken into consideration the fact that conventional or exact governmental methods and mechanics cannot be used (except in certain instances), but the basic principles applicable to government accounting can be applied in arriving at a satisfactory solution and in rendering the desired service as well as providing necessary information for adequate financial management.

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Attachment

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BUDGET STAFF REPORT

ADAPTATION OF UNVOUCHERED FUNDS ACCOUNTING AND FINANCIAL REPORTING TO
MEET NORMAL GOVERNMENTAL REQUIREMENTS FOR F.Y. APPROPRIATION CONTROL
AND ADEQUATE FINANCIAL MANAGEMENT.

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BUDGET STAFF REPORT

ADAPTATION OF UNVOUCHERED FUNDS ACCOUNTING AND FINANCIAL REPORTING TO
MEET NORMAL GOVERNMENTAL REQUIREMENTS FOR F.Y. APPROPRIATION CONTROL
AND ADEQUATE FINANCIAL MANAGEMENT.

I Problem

The immediate problem was outlined at a meeting attended by representatives of the Management Staff, Budget Staff, Office of the Chief and Finance Division of the Special Support Staff, OSO, and OPC on 14 March. It consists of determining the most practical and effective methods of supplementing existing unvouchered accounting data through the addition of unliquidated obligation information. The solution of this particular problem and the resulting implementation of recommendations is basic to the more general Agency problem of adequate unvouchered financial reports required for overall financial management. It also has an important application to the internal management of funds within covert operational offices.

II Possible Solutions

Two alternate solutions for the collection and subsequent handling of unliquidated obligation data were discussed at the 14 March meeting. One proposed solution contemplated the collection of data by the Finance Division where it would be recorded in established accounts. These accounts would then become the basis for the preparation by the Finance Division of overall agency reports on unvouchered funds and reports to covert offices on the status of operational financing. Under the second proposal, operating offices utilizing unvouchered funds would collect unliquidated obligation data. Information pertinent to management of operational financing would be extracted and the data forwarded to the Finance Division for consolidation into overall agency reports on unvouchered funds. This latter proposal made no provision for the recording of unliquidated obligations in official accounting records of the Agency. However, the data furnished the Finance Division by the operating offices could be entered in the established unvouchered accounts.

III General Recommendations

The recommendations that follow are offered as being the most logical compatible with good management principles and operational techniques, ^{and} the fulfillment of the varied requirements of top administrative levels and program offices. It should be noted that adoption of these recommendations, or any other orderly plan for accomplishing the desired objective, will entail some displacement of existing financial procedures and minor additional expense of manpower (both field operational employees and Finance Division employees). However, the recommendations have been developed on the premise that the additional

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unvouchered information is an urgent requirement that can no longer be disregarded irrespective of increased cost. Those recommendations are that:

(1) The Finance Division as the responsible organization for securing and coordinating all unvouchered accounting data obtain unliquidated obligation information through existing facilities where possible and through facilities established for the purpose where they do not now exist.

(2) Accounting control of unvouchered sub-allotments, down to the project level, be effected through a system of true allotment control accounts (maintained by the Finance Division) which reflect allotments, expenses, unliquidated obligations, and unobligated allotments. The connecting link between accounting control and budgetary control would be a monthly report of these elements issued to program offices.

(3) The appropriate administrative officials of the program offices continue to exercise budgetary control within overall allotments issued by the CIA Budget Officer through a review of monthly reports of allotment status issued by the Finance Division. Program offices should receive reports of information from field offices only when necessary for the establishment or revision of sub-allotment amounts. Normally this information will consist of projected requirements beyond the end of the period covered by reports furnished by the Finance Division.

(4) The value of accrued commitments (obligations) incurred during the fiscal year be reflected in overall Agency reports of unvouchered funds prepared by the Finance Division.

(Some suggested methods for carrying out the recommendations are offered under the section headed "Proposed Methods".)

IV Discussion

A. Reasoning for Action Recommended

Three primary considerations entered into the choice between the methods proposed. They consist of (1) functional propriety, (2) purpose to be served by the additional information and (3) extent to which existing facilities could be utilized in securing and processing the information.

(1) Functional propriety: The basic problem involves the securing and processing of information required to fill a "gap" that exists between the expenditure data reflected in existing accounting records and accrued financial commitments entered into by the Agency. Any process which is designed with this object in view is considered to be an accounting function. Accounting records and reports should give complete support to the budget

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function, which consists of fund programming based on estimates and future program objectives using information from accounting sources as a gauge of past accomplishments. Any process which places the program offices in a position of securing obligation data is functionally improper and should be avoided. Recognition of the support aspect of the covert accounting function of the Agency has been given in the statement of responsibilities of the Finance Division in [REDACTED] which reads as follows: "Provides accounting and financial services for the Agency in all matters involving the use of 'confidential funds'. Recommendations in this report, if adopted, should serve to further implement and strengthen the accounting support provided by the Finance Division.

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(2) Purpose served: Somewhat related to the question of functional propriety is that of the purpose to be served by the additional information -- whether it has a general application or whether it is to serve only the specific purpose of assisting program offices in the proper utilization of funds. If it served the single objective of an aid to fund programming, some justification might be seen for locating the accounting collection process with program offices. However, the information has at least two other important applications, that of supplementing reports of status of unvouchered funds prepared for top administrative levels of the Agency, and preventing overobligation of available funds. In view of the general usage of information to be derived through the process it is considered to be a proper function of the Finance Division.

(3) Utilization of existing facilities: One important aspect of the problem is that of facilities for securing and processing obligation data. In general, the facilities of the Finance Division, consisting of the existing organization and processes, accessibility to information, and overall knowledge of the unvouchered financial picture, are superior to those of program offices for performance of the particular task at hand. The process can be made to operate successfully by coordinated processing through the Finance Division. This coordination can best be accomplished and a more uniform treatment of material will result if the entire process is handled by the Finance Division.

About the only reason for giving consideration to the possibility of collection of obligation data by staffs of program offices is the existence within those offices of a recently installed system for obtaining financial information from overseas installations and the feeling that program offices are the only present source of obligation information. As explained later in this report, obligation data, with the exception of that obtained through reports of field installations, can be developed by the Finance Division from information at their disposal. While the system used by program

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offices in obtaining data from overseas installations does provide some obligation data, this information could be obtained more readily through the facility of monthly accountings by making provision for the inclusion of the necessary additional information. At the present time the overseas "obligation report" received by program offices contains, in addition to information on unliquidated obligations, estimated future requirements. By removing obligation information from the report and supplying such data through the medium of the monthly accountings the report would then become strictly a budgetary report of estimated fund requirements to be used in programming funds.

B. Financial Management as Related to Accounting Support

Some changes in the management of unvouchered funds appear to be desirable. As appropriations stabilize, it becomes essential to the proper conduct of Agency programs to effect stronger and more positive financial management. In the administration of a single year appropriation good financial management has two primary objectives: (1) that of keeping financial commitments within the limits of the year's appropriations, and (2) the full and proper utilization of appropriated funds. The former objective is achieved by obligation control under an effective allotment system, and the latter by fund programming and maintenance of a fluid state of funds based on repeated analyses during the year. Effective financial management demands strong accounting support. Accounting data now available, unless supplemented by information obtained from sources entirely unrelated to the accounting process, do not provide facts essential to a program of sound financial management.

The single report of unvouchered financial data which comes nearest to having some analytical value with respect to management of a fiscal year's appropriation is the expense report. However, this report is rendered partially ineffectual through the absence of a common point of reference with respect to period of time represented by the different values reported. Amounts in expense reports represent most recent expenses recorded in the accounting records. Owing to delayed receipt of accountings against advances of funds, which serve as the basis for writing off all or a portion of the advance as expense, the expenditures actually paid as reflected in the report may be delayed one month to as much as several years in exceptional cases. Four of the classes of advances resulting in a non-uniform time pattern in expenses are recorded below.

- (1) Delayed field accountings from both stations and individuals.
- (2) Irregular periods covered by accountings of dispatch agents for transportation services.
- (3) Irregular periods for communication services covered in monthly accountings.
- (4) Advances to other government departments for which no expense is currently recorded.

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The basic change required to make unvouchered accounting data self-sustaining as a tool of financial management is to place all the data on common ground with respect to time. The only known acceptable method of accomplishing this is to use the "obligation" device to fill the "gap" between the latest date for which expense is recorded and the end of specific reporting periods.

Due to the peculiar nature of operations in this Agency there are two problems of financial management in addition to the one of administration of the annual appropriation. These are (1) the funding of covert operations and the administration of the Working Capital Fund established for funding purposes, and (2) the control of expenditures during a year within the amount of funds allocated for covert operations. While these two aspects of the management of unvouchered funds should be studied in greater detail, general observations are that the use of accrued commitment information will assist in solving some aspects of these problems.

Expense Control: It appears that control of expenditures would to a large extent become the by-product of any positive system of obligation control which may be established.

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Working Capital Fund: The greater portion of the Working Capital Fund cannot be identified with any particular covert operation but must be treated as an overall Agency fund. It consists primarily of unexpended balances of foreign currencies accrued from prior year appropriations and advances charged against current year's appropriations. The size of the fund normally is related to the scope of operations financed through it. To maintain this relationship and to avoid unwarranted accumulations in the fund, withdrawals from appropriations resulting in currency conversions should be gauged to the rate of commitment accruals. The proper level of the commodity currency can be maintained by positive and orderly methods through the use of information relating to value of accrued commitments which must be liquidated from the fund and other factors affecting its status which can be determined through existing facilities.

A further problem exists that has a definite relationship to improved unvouchered accounting support. It involves the reflections of unvouchered funds in overt accounts of the Agency and external financial reporting which is based upon the overt accounts. Under the present system withdrawals of cash from the current appropriations plus a more or less arbitrary obligation intended to cover amounts disbursed by agent cashiers from Treasury Advances represent unvouchered obligations in the overt accounts. However, because of the use of commodity currencies to liquidate obligations and other factors, accrued unvouchered obligations may be in excess of values carried on the overt books and reported to Bureau of the Budget and the Treasury Department. The establishment of obligations for unvouchered funds would provide the means for a more realistic presentation of data concerning such funds in overt accounts and reports.

~~SECRET~~C. Proposed Methods

After a study of factors involved, the conclusion has been reached that unvouchedered fund accounting can be converted to an obligation basis. Exact methods used in conventional government accounting cannot apply for reasons of the unique problems encountered. However, the basic principles can be employed with some improvisation to overcome obstacles. The initial step toward conversion to an obligation system will require carefully prepared plans and procedures based upon complete knowledge of the unvouchedered problem. Although the term "obligation" can be defined as "a setting aside of funds against future expenditure" decisions will be required as to the manner in which a considerable number of unvouchedered transactions will be handled on an obligation basis. Contemplation of the existing special funds operation would suggest the possibility that basic organizational changes may be required. These considerations are not possible of adequate solution and adjustment immediately. At the outset we must anticipate that the job is a big one and highly complex, but that the constructive objectives for which this study was initiated cannot be served otherwise. The unusual conditions attached to the handling of special funds in this Agency in the past have enforced the development of systems and processes constructed on the basis of expediency as distinguished from standard government practice.

and security?

It is felt that this study cannot do more than demonstrate a general solution. For adequate implementation, and since it will take a period of several months, it is suggested that development of detailed processes and procedures be accomplished under the supervision of individual familiar with standard Federal accounting practices and generally familiar with the Agency's covert activities. The problem should be approached with an open mind and a detached point of view. For this reason it would be preferable to assign an individual not associated with the covert operational or support activities. Although as indicated above detailed procedures and practices will require development over a long period of time, it is possible to make some generalizations covering the subject.

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(1) Concept of conventional obligations: Some reasons which have been given for thinking that an obligation system is not practicable for unvouchedered funds indicate a misunderstanding of "obligations" used in conventional accounting process. Some misunderstanding is predicated on the assumption that conventional obligations are almost without exception established on the basis of definite quantities of commodities at a definite cost and that postings of obligations to accounts must be supported by formal documents which legally commit the government. This is not the case. Obligations often constitute an informed estimate of probable costs. This is especially true of travel, transportation, some communication services, and various contractual services. Postings are supported by any number of devices in addition to formal methods. One such device is the use of a report submitted by field installations which operates in a manner similar to the system being proposed for unvouchedered funds paid overseas. In general the attitude toward obligations used in conventional government accounting processes is that they represent reasonably accurate values

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of accrued commitments but not necessarily factual commitments.

(2) Establishing obligations: Obligations are placed into two main groups for purposes of discussion. One group consists of obligations paid through field establishments for which a reporting procedure must be developed. Obligation estimates for this group would be a total amount for all objects of expense for each sub-allotment issued (each project in the case of OSO). Obligations would be estimated in monthly increments to cover the normal lag period between closing date of each expense accounting and its entry in the accounting records. It has been proposed earlier in this report that monthly accountings be modified to include the obligation as well as expense data. The second group is made up of those obligations paid through headquarters. Obligations for this group normally would be established for each object of expense. A variety of methods will be necessary in determining amounts for the latter group. These are discussed briefly as follows:

(a) Personal Services. The obligation would consist of salaries earned during the time elapsed from the end of the last period for which payment was made and the end of calendar month. Amounts would be determined by prorating the last payroll.

(b) Travel. A portion of this expense is paid through advances to the Procurement and Supply Division of the Special Support Staff. Transactions financed through this advance are written off as expense with little delay as a result of frequent accountings. Under the assumption that the bulk of these transactions are reflected as expense at any particular time no obligation would be set up for this portion of the expense. The greatest portion of the remaining expense of this class is financed through advances to individuals. Since the travel advance is based on estimated cost of travel, the advance could be considered an obligation. This method would correspond to the conventional procedure of establishing travel obligations from estimated costs entered on travel orders.

(c) Transportation. The portion of transportation financed through advances to the Procurement and Supply Division would be given the same treatment as travel financed by the same method. The remaining large portion of transportation is paid through advances to dispatch agents upon which accountings are slow and irregular. Obligations for this item could be based on proportions of previous accountings recorded.



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(f) Contractual Services. The two main items in this class are services obtained through formal contract and subsidy or proprietary expenses. Obligations for contract items could be established on the basis of terms of the contract either in a single amount or prorated depending on whether the contract provided for one time service or continuing service. There is precedent in the Finance Division for establishing obligations on the basis of contracts in the contract obligation record that is being maintained.

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financial plans of each project would have to be taken into consideration.

(g) Supplies and Equipment. Primarily three methods are used for financing supplies and equipment. They are advances to Procurement and Supply Division, contract method, and transfers to Bureau of Federal Supply. Obligations for the first two could be treated as are travel and contractual services respectively when financed in a similar manner. The Bureau of Federal Supply fund can be considered as an obligation at the time of transfer

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(3) Recording obligations in accounts: The expense account now being maintained by Finance Division could be adapted for use as an allotment control account by the addition of columns for entering allotted amounts, obligations, and unobligated balances of allotments. Estimated obligations recorded should cover the complete period between the last recorded expense and the end of the current month and should be posted in increments (with respect to time periods) which will facilitate liquidation of the obligation. As an example, accountings received from overseas establishments each month would show estimated obligations from the end of the period for which expenses are being accounted to the end of the following month, and for possibly one or two additional monthly periods depending on the normal time lag. Obligations to cover the appropriate period would be entered in the account in monthly increments. Upon receipt of accountings for the following month, obligations which had been established on the basis of the previous accounting for the period covered by the current accounting would be liquidated and the expense for the period of the current accounting would be recorded. At the same time obligations indicated on the current accounting would replace those previously recorded for periods beyond that covered by current accounting of expenses.

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Federal Supply) where individual transactions are rather small and numerous, it would be preferable from the accounting point of view to establish separate allotment accounts under each office for each of these items rather than having obligations and expenses under them distributed to the accounts of the many operational units involved. Since the amounts involved are fairly small it does not appear that loss of the distribution information should be of any serious consequence to operational staffs. Both the budgetary and accounting handling of these items would be facilitated to a considerable degree.

V Dissenting Views

Some ideas expressed and recommendations made in this report are not in agreement with views held by members of covert operational and support offices.

The concept of some officials regarding obligations against unvouchered funds is at variance with the one set forth here. In the opinion of these officials sub-allotments within the unvouchered allotment granted to covert offices by the Budget Officer of CIA which are issued by the program offices constitute an obligation. Procedures now used in the Finance Division have been developed along this line with provisions being made for the recordation of the liquidations (expenditures) of these so-called obligations (sub-allotments). This point of view, however, does not correspond with principles applicable to normal government practices. Sub-allotments are too general in nature, covering the period of a whole year and based on rough estimates, serve the purposes for which obligations are intended. ILLEGIB

There has been quite some concern expressed both by OSO and the Finance Division over the amount of time that will be required at overseas establishments in the preparation of obligation material. This is considered as one additional administrative burden in a situation where staffs are inadequate to properly carry out existing administrative responsibilities. While the additional work of supplying obligation information does not appear to be excessive in view of the fact that estimated obligations need not be broken into the various classes of expenditure, the problem is related to recommendations being made here and should be considered along with them. One proposal was offered for preventing the imposition of this additional load. Under it obligations for overseas establishments would be developed at headquarters on the basis of most recent expenses recorded and a proration of allotted amounts. By use of this system developments affecting obligations that are known only in the field could not be taken into consideration in establishing obligation amounts. The suggestion was not incorporated in proposals in this report because of the belief that results would be too unreliable for practical application.

The Budget and Liaison Staff of OSO has offered a dissension against the proposals made in this report that certain minor types of expense related to the servicing of overseas establishments be financed through allotments established for these items rather than through allotments to operational units. This matter can be resolved by weighing the advantages of the proposals against those of having a spread of these costs to each pertinent operation. 25X1A9a

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Submitted by

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